

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0043-01
Bill No.: HB 208
Subject: Taxation and Revenue - Sales and Use; Revenue Department; Political Subdivisions
Type: Original
Date: February 25, 2013

Bill Summary: This proposal would make graphing calculators eligible for a sales tax exemption during the sales tax holiday for school supplies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0	(Up to \$442,989)	(Up to \$442,989)
Total Estimated Net Effect on General Revenue Fund	\$0	(Up to \$442,989)	(Up to \$442,989)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Conservation Commission	\$0	(Up to \$18,458)	(Up to \$18,458)
Parks, and Soil and Water	\$0	(Up to \$14,766)	(Up to \$14,766)
School District Trust	\$0	(Up to \$147,663)	(Up to \$147,663)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Up to \$180,887)	(Up to \$180,887)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	(Up to \$369,158)	(Up to \$369,158)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in any additional costs or savings to their organization.

BAP officials provided this estimate of the potential fiscal impact for the proposal:

This proposal would add graphing calculators valued at \$150 or less to the sales tax holiday in August. According to information supplied to BAP by DESE, there were 98,442 students enrolled in Pre-Algebra or Algebra I in 2012. BAP officials assume that each of these students was a new algebra student that required a new graphing calculator at the maximum allowable sales price of \$150, or $(\$150 \times 98,442) = \$14,766,300$ in purchases.

ASSUMPTION (continued)

BAP officials stated they did not have data to indicate how many of these purchases would be made in stores vs. by e-commerce, nor did BAP have data to indicate how many of these sales might occur during the holiday. Therefore, this proposal could reduce revenues up to the amounts calculated below:

General Revenue Fund	3.000%	\$442,989
School District Trust Fund	1.000%	\$147,663
Conservation Commission Fund	0.125%	\$18,458
Parks, and Soils and Water Fund	0.100%	\$14,766

Oversight notes that local governments revenues could be reduced as much as $(\$14,766,300 \times .025) = \$369,158$. The 2.5 percent average local government sales tax rate was calculated by Oversight based on tax collections reported by the Department of Revenue. Oversight will indicate a revenue reduction up to the amounts calculated. Oversight also notes that the proposal would become effective after the sales tax holiday in August of 2013 (FY 2014) so the first impact would be in FY 2015.

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization, but the additional item eligible for a sales tax holiday could reduce Total State Revenue.

Officials from the **City of Columbia** stated this proposal would have no fiscal impact on their organization since their city has opted out of the sales tax holiday.

Officials from the **City of Kansas City** assume this proposal would result in the loss of an undetermined amount of sales tax revenue. City officials stated that their organization would lose an undetermined amount of sales tax revenue if graphing calculators are exempted from sales tax during the back-to-school sales tax holiday. The loss is undetermined because a breakdown of sales tax generated by this single school product is not available. All losses of sales tax revenue from the sales tax holiday could be avoided if the City elected to opt out of the three-day tax holiday.

Officials from **St. Louis County** assume this proposal would result in a small but unknown revenue reduction for their organization.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State** and the **Parkway School District** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
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GENERAL REVENUE FUND

Revenue reduction - DOR

Sales tax exemption		(Up to	(Up to
Section 144.049	<u>\$0</u>	<u>\$442,989)</u>	<u>\$442,989)</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(Up to \$442,989)</u>	<u>(Up to \$442,989)</u>
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**CONSERVATION COMMISSION
FUND**

Revenue reduction - DOR

Sales tax exemption			
Section 144.049	<u>\$0</u>	<u>(Up to \$18,458)</u>	<u>(Up to \$18,458)</u>

ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>\$0</u>	<u>(Up to \$18,458)</u>	<u>(Up to \$18,458)</u>
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**PARKS, AND SOIL AND WATER
FUNDS**

Revenue reduction - DOR

Sales tax exemption			
Section 144.049	<u>\$0</u>	<u>(Up to \$14,766)</u>	<u>(Up to \$14,766)</u>

ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	<u>\$0</u>	<u>(Up to \$14,766)</u>	<u>(Up to \$14,766)</u>
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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
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SCHOOL DISTRICT TRUST FUND

<u>Revenue reduction - DOR</u> Sales tax exemption Section 144.049	\$0	(Up to \$147,663)	(Up to \$147,663)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>\$0</u>	<u>(Up to \$147,663)</u>	<u>(Up to \$147,663)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
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LOCAL GOVERNMENTS

<u>Revenue reduction - DOR</u> Sales tax exemption Section 144.049	\$0	(Up to \$369,158)	(Up to \$369,158)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>(Up to \$369,158)</u>	<u>(Up to \$369,158)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal would make graphing calculators eligible for a sales tax exemption during the sales tax holiday for school supplies.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration - Division of Budget and Planning
Department of Revenue
Parkway School District
City of Columbia
City of Kansas City

A handwritten signature in black ink, appearing to read "Ross Strobe".

Ross Strobe
Acting Director
February 25, 2013